

Earnings Per Share

+78.5%

2007 was a year of record achievements for SPC, despite this being one of the most volatile years in the oil industry.

DEAR SHAREHOLDERS,

I am pleased to report that 2007 was a year of record achievements for SPC, despite this being one of the most volatile years in the oil industry. The Group recorded a PATMI of \$508.3 million, an improvement of 78.6% over the PATMI of 2006 and achieved a return on equity of 30%.

Crude oil prices commenced the year at around US\$55.00 per barrel. Continuing geopolitical tensions, supply uncertainties and refinery outages combined to push crude and product prices higher as the year progressed. The benchmark West Texas Intermediate (WTI) crude surged to a new peak of US\$99.29 per barrel before ending the year at US\$95.98 per barrel. Refining margins were likewise extremely volatile during the year, with average quarterly margins swinging from a high of US\$9.00 per barrel to a low of US\$5.00 per barrel.



Despite these volatilities, the Group was able to steer a steady course and deliver its best ever performance to date.

2007 IN REVIEW

2007 was a year of strong economic growth for the global economy. In line with this growth, crude oil demand for 2007 was estimated to be 85.7 million barrels per day (bpd) representing an increase of 1.2% over the 84.7 million bpd consumption in 2006.

Strong demand for refined petroleum products was also seen throughout the year. This was due to the tight global refining capacity and continued strong demand for energy to fuel economic growth especially from China, India, the Middle-East and Russia.

DOWNSTREAM PROVIDING SOLID EARNINGS BASE

SPC's downstream operations continued to perform well in 2007 contributing \$8.6 billion in turnover and \$523.2 million in operating profit.

The firm demand for refined products kept the Singapore Refining Company Private Limited (SRC) running at full capacity during the year. Strong refining margins coupled with the reliable operations at SRC enabled the Group to maintain its sales revenue. During the year, SRC successfully carried out a major scheduled maintenance of its Crude Distillation Unit No. 1 complex. Safety is always the top priority in our operations and this major exercise was accomplished smoothly and safely.

Other initiatives at SRC include a US\$121 million project for clean diesel production. This will enable SPC to meet Euro-IV diesel specifications by

2009. Continuous upgrading of the refining capabilities to meet changing emission standards will remain a priority as the Group does its part for a green and clean environment. Upgrading our refinery to process new and challenging crudes will also be needed.

SPC's island-wide service station network continued to find new ways to better serve the motoring public and expand its base of loyal customers. SPC is the first retail network on mainland Singapore to provide compressed natural gas.

GROWING E&P PORTFOLIO

2007 had also been significant for the progress achieved in the upstream business. Turnover from Exploration and Production (E&P) activities totalled \$145.1 million and operating profit was \$52.4 million.

Since SPC's move into the upstream business in 2000, the E&P portfolio and footprint has grown considerably to eight Production Sharing Contracts (PSC) and one exploration permit across five countries. To date, the Group has invested more than US\$400 million in E&P assets that extend from China to Australia.

In China, SPC made its largest overseas investment to date by acquiring producing oilfields in the Bohai Bay. The Group was also successful in acquiring a 100% interest in a PSC exploration block, Block 26/18 in China and a 35% interest in an exploration permit in Australia.

As a result of the China acquisition and production from the existing Kakap and Oyong oilfields, oil and gas production at the end of 2007 increased to an average

10,000 barrels of oil equivalent per day (boepd), from below 3,000 boepd at the beginning of the year.

In line with the vision to be a strong integrated oil and gas company, the Group will further invest in oil and gas producing assets, while developing the existing acreages. This would enhance shareholder value and ensure long-term growth.

FINANCIAL PERFORMANCE

Record oil prices in 2007 enabled SPC to post record revenues of \$8.8 billion, a 2.2% increase over the previous year. PATMI reached a record level of \$508.3 million, a 78.6% increase. Earnings per share rose 78.5% to 98.8 cents.

DIVIDENDS

With the excellent performance, the Board is recommending a record final dividend of 40 cents per share. In August, for the first time, SPC paid an interim dividend. Together with the interim payment of 20 cents per share and the proposed final dividend, the total dividend for full year 2007 would

amount to 60 cents per share. These dividends are all on the new one-tier tax exempt basis.

SHARE BUYBACK

Motivating and retaining staff is crucial for the Group's long-term growth. As part of the incentive for staff to pursue a life-long career in SPC, the Group has in place a share award programme. Towards fulfilling this programme, the Group bought back 1.4 million shares as treasury shares in 2007 under the Share Buyback Mandate.

MAINTAINING FINANCIAL PRUDENCE AND LIQUIDITY

The volatility in financial markets triggered by the US sub-prime credit crisis resulted in a liquidity and credit squeeze for many companies. The Group has weathered this volatility well and has in place adequate financial resources to continue funding its growth. In 2007, SPC established a US\$1 billion Multicurrency Debt Issuance Programme. This facility would enable the Group to tap the capital markets for funds as and when required.

The Group will further invest in oil and gas producing assets, while developing the existing acreages.

FOCUSING ON EHSS

As the Group grows and further regionalises its operations, it becomes increasingly important to be more vigilant about environmental, health, safety and security (EHSS) issues.

Growth and expansion for the Group must be on the basis of sound and effective EHSS practices.

CORPORATE GOVERNANCE ACCOLADES

SPC's good corporate governance practices have not gone unnoticed by the investing public. The Company was honoured with a third place award at the 2007 SIAS Corporate Governance Award event, the fifth consecutive time it has won an award. The Company was also recognised as a merit recipient of the Most Transparent Company Award. This was followed by a joint Bronze award under the Singapore Corporate Awards 2008 for the Best Managed Board.

OUTLOOK FOR THE INDUSTRY

Global refining capacity is expected to be constrained both by high construction costs and skill shortages. Although the volatility in global financial markets is likely to restrain economic activities, refining margins are expected to remain relatively healthy in 2008 given the continued lack of meaningful spare refining capacity and the continuing strong demand for petroleum products from Asia, the Middle-East and Russia.

For the refining operations, the Group intends to continuously upgrade its capability to produce cleaner fuels including clean motor gasoline and to be able to process a wider range of difficult crudes that will improve its margins.

The growth that the Group has achieved in E&P production in 2007 will also result in increased contribution to the Group's bottomline in 2008.

IN APPRECIATION

All that the Group had achieved in 2007 could not have happened without many willing hands and great hearts. Much of this success was due to the competence, passion and teamwork of both the SPC and SRC staff. At SPC, we have built up a multinational and multi-talented team to take us to the next level as an integrated oil and gas company. As we continue our journey to build and grow SPC, I wish to extend my heartfelt appreciation to fellow Board Members for their counsel and guidance. I would also like to thank our shareholders, customers and business partners for their continuing confidence and support.

Yours sincerely,



Choo Chiau Beng

Chairman

For and on behalf of the Board

29 February 2008

PATMI



PATMI

508.3m
+78.6%

PATMI reached a record level of \$508.3 million, a 78.6% increase.